Manitoba Employee Pensions and Other Costs

Annual Report 2003-2004

Manitoba

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MINISTER OF
FINANCE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

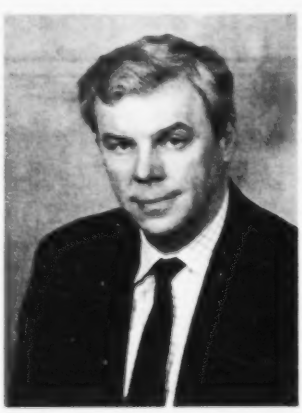
The Honourable John Harvard
Lieutenant-Governor of Manitoba
Room 235 Legislative Building
Winnipeg, MB R3C 0V8

May it Please Your Honour:

I have the privilege of presenting, for the information of Your Honour, the Annual Report covering Manitoba Employee Pensions and Other Costs for the fiscal year ending March 31, 2004.

Respectfully submitted,

Honourable Greg Selinger
Minister of Finance



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Introduction

Report Structure

The Annual Report is organized in accordance with the departmental appropriation structure, which reflects the department's authorized votes approved by the Legislative Assembly. The report includes information at the main and sub-appropriation levels, including program descriptions, financial performance and variances, as well as a five-year historical table detailing departmental expenditures.

Overview

The benefits administration program area of Labour Relations Services, Treasury Board Secretariat, is responsible for providing central administrative services to government-wide employee benefits and insurance programs in accordance with collective agreements, legislation and personnel policies. Negotiated plans include the Ambulance and Hospital Semi-Private (AHSP), Dental, Vision, Prescription Drug and Long Term Disability plans. The branch manages the payment and recovery of Workers Compensation from government departments and certain agencies and compiles financial information for statutory benefit and insurance programs including the Civil Service Superannuation Plan, Canada Pension Plan, Group Life Insurance, Employment Insurance and the Levy for Health and Post-Secondary Education.

There are two benefit categories:

1) Non-Recoverable, including Superannuation, Workers Compensation (central costs) and other salary related benefits; and

2) Recoverable, including Canada Pension Plan, Employment Insurance, Civil Service Group Life Insurance, Workers Compensation (departmental costs), Dental, Long Term Disability, Ambulance and Hospital Semi-Private, Vision Care and Prescription Drug Plans, as well as the Levy for Health and Post-Secondary Education and Pension Liability for New Employees. All costs for recoverable benefits incurred by Employee Pensions and Other Costs are recovered from departments based on either actual salaries paid to employees or on the actual benefit premium paid. Within the recoverable category, benefits can also be divided into two classifications: external, premium-based and self-insured.

PART I
Employee Pensions and Other Costs

Employee Pensions and Other Costs

A. Non-Recoverable Benefits

Civil Service Superannuation Plan

The Civil Service Superannuation Plan provides funding for the employer's share (50%) of pensions paid to retired civil servants in 2003/04, including the annual cost of living increase. Costs consist of payments that were made to 8,342 pensioners.

In addition to this funding, the province has allocated funds in its annual Budget to reduce the annual accumulated pension liability by matching the annual pension contribution for all civil servants hired from April 1, 2000 onward and allocating a portion of a legislated provision for debt/pension repayment toward the accumulated pension liability related to existing employees. In 2003/04, $75 million of the $96 million debt retirement payment was allocated to the pension liability. This additional funding is not included in the Estimates of Expenditure for the Operating Fund but is recorded as a transfer from the Debt Retirement Fund. Effective October 1, 2002, the employer's cost of matching pension contributions for new employees hired is the responsibility of the employing department as noted under "Pension Liability for New Employees" outlined on page 16.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1a Civil Service Superannuation Plan	59,353.0	59,097.5	255.5	

Other Salary Related Benefits

This appropriation provides funding for recording of the annual increase/decrease in the liabilities for severance, vacation and overtime entitlements for employees who have met the service requirements stated in the collective agreement and are still members of the civil service.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 [1] $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1b Other Salary Related Benefits	7,634.6	7,940.0	(305.4)	

[1] The 2003/04 Estimate includes an allocation of $1,640.0 from 26-5, Internal Reform, Workforce Adjustment and General Salary Increases to cover the shortfall in Other Salary Benefits due to the settlement of the MGEU agreement.

Workers Compensation Board

The Workers Compensation Board (WCB) provides funding for the annual payments to government employees injured at work as assessed by the WCB as well as fees paid to WCB for administration of the compensation plan. The annual payments are recovered from other departments in respect of their employees.

The province is self-insured with respect to Workers Compensation payments, although the WCB provides administrative and assessment services.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1c Workers Compensation Board				
(1) Assessments	2,406.5	3,100.0	(693.5)	1
(2) Less: Recoveries	(2,402.3)	(3,085.0)	682.7	2
Total Sub-Appropriation	4.2	15.0	(10.8)	

1. *2003/04 workers compensation assessment costs were lower than anticipated primarily as a result of fewer claims and work days lost by injured employees.*

2. *Recoveries were down mainly due to the lower assessment costs.*

B. Recoverable Benefits

Canada Pension Plan

This sub-appropriation provides for the employer's matching contribution as required under *The Canada Pension Plan Act* for all eligible civil servants.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1d Canada Pension Plan	26,468.0	26,865.0	(397.0)	

Employment Insurance Plan

The Employment Insurance (EI) Plan provides for the employer's share of premiums as required under *The Employment Insurance Act* for all civil servants.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1e Employment Insurance Plan	16,151.4	16,348.8	(197.4)	

Civil Service Group Life Insurance

The Civil Service Group Life Insurance plan provides for the government's share (one-third) of payments under *The Public Servants Insurance Act* which includes basic insurance coverage, as well as group life and accidental death and disablement insurance, for all eligible civil servants.

Life insurance is provided to employees at a rate of up to five times their annual salary, to a maximum of $1 million. The employer contribution is 27.5% of the first four multiples only (employee funds 100% of the fifth multiple). The province self-insures job related accidental death and disablement insurance, which is based on the employee's annual salary multiplied by class (1 to 5), as selected under the life insurance plan, up to a specified maximum.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1f Civil Service Group Life Insurance	1,676.3	1,848.7	(172.4)	

Dental Plan

As negotiated under various collective agreements or as provided in the regulations under *The Civil Service Act*, the Dental Plan provides coverage for basic and major restorative dentistry to all eligible civil servants. The province is self-insured with the plan carrier (Manitoba Blue Cross) being reimbursed for payments made to government employees under the plan as well as an administrative fee.

The plan pays for eligible dental care expenses, to a specified maximum, for both full-time and part-time employees. Effective January 1, 2003, the annual maximum for basic dentistry increased from $1,200.00 to $1,400.00 and the orthodontic lifetime maximum increased from $1,400.00 to $1,600.00 for full-time employees. As a result of enhanced plan provisions negotiated as part of the recent collective bargaining settlement, the annual maximum for basic dentistry increased from $1,400.00 to $1,475.00 and the orthodontic lifetime maximum increased from $1,600.00 to $1,675.00 for full-time employees effective January 1, 2004. Coverage for part-time employees is based on 50% of the coverage amounts applicable for full-time employees and up to 50% of the maximum.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1g Dental Plan	6,354.5	6,907.0	(552.5)	

Vision Care

As negotiated under various collective agreements or as provided in the regulations under *The Civil Service Act*, the Vision Care Plan provides coverage for prescription lenses and eye examinations for eligible civil servants. The province is self-insured with the plan carrier (Manitoba Blue Cross) being reimbursed for payments made to government employees under the plan as well as an administrative fee.

Full-time employees are reimbursed 80% for eligible vision care expenses and part-time employees are reimbursed 40% for eligible expenses every twenty-four month period from the previous actual purchase date. As a result of enhanced plan provisions negotiated as part of the recent collective bargaining settlement, the annual maximum claim increased from $200.00 to $225.00 for full-time employees effective January 1, 2004.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1h Vision Care	1,108.7	1,179.7	(71.0)	

Prescription Drug Plan

As negotiated through collective bargaining agreements or as provided in the regulations under *The Civil Service Act*, the Prescription Drug Plan provides coverage for eligible drugs or medicines including serums, injectibles, and insulin, which are sold on the written prescription of a medical practitioner and dispensed by a licensed pharmacist for eligible civil servants and their families. The province is self-insured with the plan carrier (Manitoba Blue Cross) being reimbursed for payments made to government employees under the plan as well as an administrative fee.

Full-time employees are reimbursed 80% for eligible expenses and part-time employees are reimbursed 40% for eligible expenses per family per calendar year. As a result of enhanced plan provisions negotiated as part of the recent collective bargaining settlement, the annual maximum claim increased from $500.00 to $650.00 for full-time employees effective January 24, 2004.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1j Prescription Drug Plan	2,244.5	2,767.4	(522.9)	1

1. *Costs associated with the Prescription Drug Plan were lower than anticipated. Actual costs were based on claims submitted by employees on or before March 31, 2004. Claims for prescription drugs can be made for up to two years after the actual drug purchase date.*

Ambulance and Hospital Semi-Private Plan

As negotiated under various collective agreements or as provided in the regulations under *The Civil Service Act*, the Supplementary Health Plan provides for an Ambulance and Hospital Semi-Private Plan to all eligible civil servants. Premium payments to the plan carrier (Manitoba Blue Cross) are made, based on the number of eligible employees. The plan is self-insured with both full-time and part-time employees eligible for coverage, although part-time employees are eligible for single coverage only. Part-time employees may elect to increase their coverage to include family members by paying the difference between the family premium and single premium through voluntary payroll deductions. Effective January 1, 2004, premium rates increased from $8.32 to $9.10 for single coverage and from $18.46 to $19.24 for family coverage.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1k Ambulance and Hospital Semi-Private Plan	192.6	233.2	(40.6)	

Long Term Disability (LTD) Plan

As negotiated under various collective agreements or as provided in the regulations under *The Civil Service Act*, the LTD Plan provides partial income protection to eligible full-time and part-time employees. The province is self-insured with the plan carrier (Great West Life) being reimbursed for payments made to government employees under the plan as well as administrative fees and expenses.

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1m Long Term Disability Plan	4,917.7	5,141.0	(223.3)	

Levy for Health and Post-Secondary Education

This sub-appropriation provides for the province's payment as required by *The Health and Post-Secondary Education Tax Levy Act.*

Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1n Levy for Health and Post-Secondary Education	15,466.0	15,564.0	(98.0)	

Pension Liability for New Employees

In order to begin addressing the accumulated pension liability, the Province established a sub-appropriation in 2002/03 to record the employer's cost of matching pension contributions made by civil servants hired on or after October 1, 2002. Costs are the responsibility of the hiring department and, similar to recoverable benefits, are ultimately reflected in the employing department.

	Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1p	Pension Liability for New Employees	1,151.2	2,980.0	(1,828.8)	1

1. *Costs associated with the Pension Liability for New Employees were lower than anticipated due to fewer than expected new government employees hired between April 1, 2003 and March 31, 2004.*

C. Recovery from Other Appropriations

This account provides for the recovery of the cost of the various employee benefits plans and related overhead charges from other departments, as described in Section B – Recoverable Benefits.

	Expenditures by Sub-Appropriation	Actual 2003/04 $(000s)	Estimate 2003/04 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1q	Recoverable from Other Appropriations	(75,854.2)	(79,834.8)	3,980.6	1

1. *Recoveries from other appropriations were down, corresponding to an overall decrease in recoverable benefits paid as described in the relevant individual items included in Section B – Recoverable Benefits.*

PART II
Financial Information

Part A - Operating Expenditure
Employee Pensions and Other Costs
Reconciliation Statement

$(000s)

DETAILS	2003-04 ESTIMATES
2003-04 MAIN ESTIMATES	$ 65,412.5
MAIN ESTIMATES AUTHORITY TRANSFERRED FROM: - Enabling Appropriations: • 26-5 Internal Reform, Workforce Adjustment and General Salary Increases	1,640.0
2003-04 ESTIMATE	$ 67,052.5

Employee Benefits and Other Costs

Expenditure Summary

for the fiscal year ended March 31, 2004 with comparative figures for the previous fiscal year
$(000s)

Estimate 2003-04		Sub-Appropriation	Actual 2003-04	Actual 2002-03	Increase / (Decrease)	Exp No
$ 59,097.5	06-1a	Civil Service Superannuation Plan	$ 59,353.0	$ 54,485.0	$ 4,868.0	1
7,940.0	06-1b	Other Salary Related Benefits	7,634.6	5,635.4	1,999.2	2
	06-1c	Workers' Compensation Board				
3,100.0		(1) Assessments	2,406.5	2,255.1	151.4	
(3,085.0)		(2) Less: Recoveries	(2,402.3)	(2,145.8)	(256.5)	
$ 15.0		**Subtotal (c)**	**$ 4.2**	**$ 109.3**	**$ (105.1)**	
26,865.0	06-1d	Canada Pension Plan	26,468.0	24,397.3	2,070.7	3
16,348.8	06-1e	Employment Insurance Plan	16,151.4	16,609.5	(458.1)	
1,848.7	06-1f	Civil Service Group Life Insurance	1,676.3	1,630.0	46.3	
6,907.0	06-1g	Dental Plan	6,354.5	6,220.7	133.8	
1,179.7	06-1h	Vision Care	1,108.7	1,057.1	51.6	
2,767.4	06-1j	Prescription Drug Plan	2,244.5	2,136.8	107.7	
233.2	06-1k	Ambulance & Hospital Semi-Private Plan	192.6	243.5	(50.9)	
5,141.0	06-1m	Long Term Disability Plan	4,917.7	4,233.7	684.0	4
15,564.0	06-1n	Levy for Health & Post-Secondary Education	15,466.0	14,975.5	490.5	
2,980.0	06-1p	Pension Liability for New Employees	1,151.2	101.9	1,049.3	5
$ 79,834.8		**Subtotal (d) to (p)**	**$ 75,730.9**	**$ 71,606.0**	**$ 4,124.9**	
(79,834.8)	06-1q	Recoverable from Other Appropriations	(75,854.2)	(68,238.3)	(7,615.9)	6
$ 67,052.5	**06**	**TOTALS**	**$ 66,868.5**	**$ 63,597.4**	**$ 3,271.1**	

Explanations:

1. Reflects increased pension benefits paid for retirements, terminating employees, marital breakdowns, reciprocal transfers and employee deaths, including the annual cost of living increase.

2. Increase occurred mainly as a result of impact of general salary increases of 3% effective March 22, 2003 (retroactive) and March 20, 2004 on vacation and overtime liabilities.

3. Variance primarily related to higher total payroll costs plus federal increases in the employer's premium rate from 4.70% in 2002 to 4.95% in 2003 as well as increases in the maximum insurable earnings from $39.1 in 2002 to $39.9 in 2003 and to $40.5 in 2004.

Employee Pensions and Other Costs
Expenditures by Sub-Appropriation $(000s)
for the fiscal year ended March 31, 2004

Explanations: (continued)

4. Increase mainly due to plan growth/demand as well as increases in administration fees, which came into effect April 1, 2003.

5. Increase primarily resulted from the annualization of costs related to the Pension Liability for New Employees introduced in 2002/03.

6. Increase in recoveries from other appropriations in 2003/04 corresponds to the increase in recoverable benefits paid, which are recovered from departments, and increases in the recoverable rate charged to departments for self-insured benefits (from 1.7% in 2002/03 to 2.23% on March 19, 2003 and to 3.12% on January 24, 2004).

PART III
Historical Information

Employee Benefits and Other Costs

Five Year Expenditure Summary

For the fiscal years ending March 31, 2000 to March 31, 2004

$(000s)

	Benefit Plan	Actual 1999/00	Actual 2000/01	Actual 2001/02	Actual 2002/03	Actual 2003/04
06-1a	Civil Service Superannuation Plan	$ 46,033.4	$ 48,244.6	$ 50,777.4	$ 54,485.0	$ 59,353.0
06-1b	Other Salary Related Benefits	6,203.0	(3,161.2)	14,659.5	5,635.4	7,634.6
06-1c	Workers' Compensation Board	659.9	(115.9)	7.2	109.3	4.2
06-1d	Canada Pension Plan	17,247.1	19,493.0	22,179.5	24,397.3	26,468.0
06-1e	Employment Insurance Plan	18,516.1	17,577.7	17,032.1	16,609.5	16,151.4
06-1f	Civil Service Group Life Insurance	1,561.2	1,529.1	1,594.8	1,630.0	1,676.3
06-1g	Dental Plan	4,845.4	5,065.9	5,583.1	6,220.7	6,354.5
06-1h	Vision Care	954.8	931.7	1,104.6	1,057.1	1,108.7
06-1j	Prescription Drug Plan	-	-	773.8	2,136.8	2,244.5
06-1k	Ambulance & Hospital Semi-Private Plan	231.3	259.3	256.0	243.5	192.6
06-1m	Long Term Disability Plan	3,203.0	3,273.7	3,575.8	4,233.7	4,917.7
06-1n	Levy for Health & Post-Secondary Education	13,704.3	14,082.2	14,606.1	14,975.5	15,466.0
06-1p	Pension Liability for New Employees	-	-	-	101.9	1,151.2
	Subtotal (d) to (p)	**$ 60,263.2**	**$ 62,212.6**	**$ 66,705.8**	**$ 71,606.0**	**$ 75,730.9**
06-1q	Recoverable from Other Appropriations	(60,670.5)	(62,871.2)	(65,605.0)	(68,238.3)	(75,854.2)
06	**TOTALS**	**$ 52,489.0**	**$ 44,308.9**	**$ 66,544.9**	**$ 63,597.4**	**$ 66,868.5**